



QUARTERLY INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2016.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	Members' Code of Conduct & Standards Arrangements	Substantial	C H M L	0 0 0 1
2.2	Disabled Facilities Grants	Substantial	C H M L	0 0 1 3
2.3	EKS – Housing Benefit Overpayments	Substantial	C H M L	0 0 0 0
2.4	EKS – Customer Services	Substantial	C H M L	0 0 1 3
2.5	EKS – Business Rates Credits	Reasonable	C H M L	0 3 1 0
2.6	Planning Applications, Income and s106 Agreements	Reasonable/Limited	C H M L	0 1 7 1
2.7	Grounds Maintenance	Limited	C H M L	3 11 9 0
2.8	Street Cleansing	Limited	C H M L	3 4 5 0

2.9	EKS – PCI-DSS	Limited	C H M L	0 5 1 0
2.10	Car Parking – Key Control Testing	Not Applicable		
2.11	EKS – Quarterly Housing Benefit Testing (Quarter 4 of 2015-16)	Not Applicable		
2.12	EKS – Quarterly Housing Benefit Testing (Quarter 1 of 2016-17)	Not Applicable		

2.1 Members' Code of Conduct & Standards Arrangements – Substantial Assurance:

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the highest standards of Member conduct and probity are maintained.

2.1.2 Summary of Findings

Councillors (District, Town or Parish) are elected by the general public to represent the constituents of a ward. Each Council has its own Code of Conduct to which councillors must adhere. Councillors should conduct themselves in a way that is beyond reproach, however if members of the public believe that a councillor has breached the Code of Conduct then arrangements exist to enable them to make a complaint and detail how the complaint will be dealt with.

For 2015/16 there were twenty three complaints received in respect of either District Councillors or Parish Councillors, of which fifteen related to District Councillors. Seven were judged to be of substance, their outcome resulting mostly in a formal letter of admonishment from the Monitoring Officer. Three complaints were judged to be of a severity that justified investigation by a person external to the Council.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Established processes (including Standards arrangements) are in place to ensure that Councillors comply with the code of conduct and are aware of their responsibility to declare any interests that may impact on the decision making process of the Council. This is in accordance with the Localism Act 2011.
- Processes for making and dealing with complaints are well documented and are readily available to the public.
- The appointment of separate independent people to carry out investigations, and to review the complaints alongside the Monitoring Officer ensure that a consistent approach to dealing with them is in place.
- Councillors have attended training for their role as a Councillor (i.e. induction) and the various committees that they sit on and unless they have completed the training they are not permitted to sit on them. (This also includes substitute Councillors).

Scope for improvement was however identified in the following area:

- When Councillors make DPI and OSI declarations at a committee meeting they should check back against their original declaration form that they submitted / completed in May 2015 to see if it is a new declaration that needs amendment and signing off by the Monitoring Officer.

2.2 Disabled Facilities Grants – Substantial Assurance:

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Disabled Facility Grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the scheme.

2.2.2 Summary of Findings

The delivery of the disabled facilities grants programme is mandatory and a statutory function of the Local Housing Authority. It is governed by the Housing Grants, Construction and Regeneration Act 1996.

During 2015/16 the Better Care Fund was £101m of which £7.2m was earmarked for Disabled Facilities Grants in Kent of which £1,278,471 was allocated to Thanet. . The following table provides some financial context in relation to the amount of money paid out in disabled facilities grants over the past three years and also the number of grants awarded.

Year	Total Grants Paid for DFGs	Number of applications processed	Average Total Grant awarded
2013/14	£1,664,530	196	£8,492.50
2014/15	£1,323,274	149	£8,881.03
2015/16	£1,032,930	119	£8,680.08

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The directive controls in place (policies and procedures) are generally well documented and well communicated;
- Service delivery is applied in a consistent and professional manner;
- The application process is robust and applications are signed by the applicant, supported by documentation, and a referral from an appropriate occupational therapist.
- Controls are in place to ensure that the applicant is the owner of the property.
- Segregation of duties controls are in place and are sufficient to minimise the risk or fraud, bribery and collusion;
- Inspection regimes and audit trails are sufficient; and
- Samples tested revealed no significant weaknesses within the processes controlled and managed from within the Council.

Scope for improvement was however identified in the following areas:

- There was evidence to suggest that one of the agents used to appoint contractors to carry out works had weaker vetting procedures in place than those adopted by the Council;
- The Housing Assistance and Disabled Adaptations Policy could be amended to ensure that vetting expectations carried out by two of the agents are clearer and inline with the contractor vetting carried out in house;
- The Council could be more consistent in relation to the number of quotations it seeks. The Council needs to decide whether agents should be obtaining two quotes in line with legislation or three quotes in line with Council policy; and
- The Council could improve its consistency in relation to evidence deemed acceptable to support DFG applications to help prevent fraud.

2.3 EKS Housing Benefit Overpayments – Substantial Assurance.

2.3.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner councils and incorporate relevant internal controls regarding the administration of overpayments of Housing Benefit.

2.3.2 Summary of Findings

EK Services manage the housing benefit overpayment (HBOP) process for Canterbury City Council, Dover District Council and Thanet District Council. EK Services are responsible for the processing of Housing Benefit claims and the billing and collection of overpaid housing benefits by raising invoices, agreeing and monitoring repayment arrangements.

During 2015/16, the Corporate Income Team within EK Services achieved the following performance at each authority in terms of Housing Benefit Overpayments.

Authority	Overpayments identified	Overpayments recovered	Recovery Rate
Canterbury City Council	£1,557,126	£1,091,950	70.13%
Dover District Council	£1,495,909	£1,028,813	68.78%
Thanet District Council	£2,785,454	£1,894,466	68.01%

Our testing concludes that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the administration of HBOP.

The primary findings giving rise to this Substantial Assurance opinion are as follows:

- Comprehensive information is made available to members of the public at each authority in terms of housing benefit overpayments.
- Detailed procedure notes are available to officers to give guidance on the housing benefit overpayments process.
- EK Services make good use of various preventative measures to ensure that overpayments are kept to a minimum.

- There is a consistent approach used at all partner authorities for the identification, recovery and writing off of housing benefit overpayments.
- Management information is produced regularly for the partner authorities for them to monitor EK Services performance in terms of housing benefit overpayments.

2.4 EKS Customer Services – Substantial Assurance.

2.4.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner councils and incorporate relevant internal controls regarding the interface with the public to respond to customer enquiries and requests for service via e-mail/internet, post, telephone and face-to-face contact points and especially the controls and safety of officers at remote offices.

2.4.2 Summary of Findings

Customer Services is the first point of contact for most of the customers that visit or call Canterbury City, Dover District and Thanet District Councils. EK Services operates the Customer Services function across 10 sites and a total of approximately 85 FTE's. Staff are split between face to face contact, email enquires and telephone calls. During 2015/16 EK Services handled 303,307 telephone calls at Canterbury, 179,734 calls at Dover and 385,967 calls at Thanet.

The primary findings giving rise to this Substantial Assurance opinion are as follows:

- The service is supported by a well-documented and clearly defined Service Level Agreement and Service Plan;
- The Service Standards expected of staff are clearly defined in the Customer Service Standards Policy which is available on the intranet;
- Face to face contact and telephone contact was compliant with the expectations set out in the Customer Service Standards Policy;
- The training requirements for staff are well identified.
- The Risk Management Process is well documented.

Small scope for improvement was however identified in the following areas:

- Align face to face waiting time targets for EK Services set by each Council and East Kent Housing
- Ensure that partner councils are aware that waiting times for face to face contacts do not reflect the waiting times at area offices.
- Update the Dover website to reflect locations where meeting rooms are and are not available.

- Update the Dover website to include service standards for the Customer Services function

2.5 EKS Business Rates Credits – Reasonable Assurance.

2.5.1 Audit Scope

To ensure that the processes established by EK Services, on behalf of the partner councils, are sufficient to adequately manage the monitoring of Business Rates accounts where these are in credit and that these procedures comply with legislation.

2.5.2 Summary of Findings

The Council has a duty under the Local Government Finance Act 1988, The Non Domestic Rating (Collection & Enforcement) (Local Lists) Regulations 1989, NDR (Payment of interest) Regulations 1990 to apply and collect Business Rates – NNDR. Delegated authority has been given via a collaboration agreement and service level agreement for EK Services to undertake this duty and administer business rate accounts on the Council's behalf.

From time to time a set of circumstances may arise which will lead to a Business Rate Account to become in credit, these primarily are:

- Changes in Rateable Value
- A ratepayer continues to make payments on the account (over and above what they should be paying)
- An account is terminated (whether they had paid by direct debit or manual instalments)
- They have been awarded an exemption/relief

These accounts will therefore become creditors of the authority and be dealt with in accordance with prescribed policies and procedure.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- There is an up to date refunds procedure which is being complied with where refunds are made, however, it does not account for any interest to be added or tax deducted where relevant.
- There was evidence on the existence of a separation of duties during the refunds process but this will need to be documented to ensure this remains in place and is consistently being applied.
- Information is being made available on the Council website detailing the credits existing against business rate accounts.
- Scope for improvement was however identified in the following areas:
- The Income Policy and Discretionary Reliefs Policy will need to be updated to ensure roles and responsibilities can be clearly identified; and
- The treatment of closed accounts which remain in credit need to be prescribed as it would appear they remain in credit indefinitely; there was found to be no cut off dates or write offs occurring.

2.6 Planning Applications, Income & S106 Agreements – Reasonable/Limited Assurance:

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to:

- Planning Applications: Ensure that planning application procedures, including those in respect of fees and collection of income, are in accordance with Statute, and the organisation's Standing Orders and Financial Regulations.
- Section 106 Agreements: Ensure that Section 106 agreements are used where appropriate in planning applications and that all legal requirements are adhered to. All income / benefits from the agreement are received and conditions imposed are complied with to the benefit of the district.

2.6.2 Summary of Findings

The Council's planning function is responsible for determining whether a proposed development should be approved or refused in accordance with its policies. Most new buildings, major alterations to existing buildings and significant changes to the use of a building or piece of land require planning permission. Certain minor building works do not need planning permission as the affect on neighbours or the surrounding environment is minimal and in these instances they are classed as permitted development.

The following table details the total number of determined applications in the last two years:-

Year	Major applications	Minor & other applications	Total applications
2014/15	42	687	729
2015/16	37	622	639

Section 106 (S106) Agreements are legal agreements between local authorities and developers. These are linked to planning permissions and can also be known as planning obligations. S106 Agreements are drafted when it is considered that a development will have significant impacts on the local area that cannot be moderated by means of conditions attached to a planning decision. In Thanet a proposal for a development of 11 new dwellings or more would trigger an assessment of potential planning obligations.

The following table details the total number of S106 Agreements issued in the last two years and total S106 income received from developers over the same period. The Council expects the S106 income to increase significantly over the next couple of years:-

Year	Number of S106 Agreements approved	Total S106 Financial Contribution received
2014/15	10	£62,280.07
2015/16	7	£372,686.32

Management can place Reasonable Assurance on the system of internal controls in operation in relation to Planning Applications and Income; and Limited Assurance on the system of internal controls in operation in relation to Section 106 Agreements.

Planning Applications & Income:

The primary findings giving rise to this Reasonable Assurance opinion are as follows:

- Planning applications are processed in accordance with the National Planning Policy Framework and taking due regard of the Local Plan;
- Sensitive data held on the planning system is accurate and up to date; and
- The audit trail of correspondence and decision making is on the most part good.

Scope for improvement was however identified in the following areas:

- System access controls could be improved;
- System authorisation controls were not working as they should; and
- There are no documented planning operational procedures in place which would serve a number of purposes including improving consistency, assisting the audit process and assisting management to identify new ways of working in the future.

Section 106 Agreements:

The primary findings giving rise to this Limited Assurance opinion are as follows:

- Infrastructure assessments were not able to be located in the hard copy files for one out of six samples tested;
- There are no operational procedure notes which would aide both consistency or approach and improve resilience within the planning department; and
- The S106 Agreement monitoring spreadsheet used to monitor the key credentials such as development trigger points and financial information was missing an element of affordable housing income worth £49k which would not have been picked up as part of any financial reconciliation.

Effective control was however evidenced in the following areas:

- The S106 Agreements themselves are well documented;
- Authorisation controls relating to the sign off of S106 Agreements is well documented;
- Excluding the issue surrounding the spreadsheet above, the monitoring process is working effectively and the relationship with the External Funding Officer is good; and
- The accountancy controls in relation to the coding of income and expenditure and the transfer of S106 income to KCC and Highways are working effectively.

2.7 Grounds Maintenance – Limited Assurance:

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the grounds maintenance function is being carried out efficiently and effectively within an appropriate control framework which reduces any risks to an acceptable level.

2.7.2 Summary of Findings

The Council's in-house Grounds Maintenance service is responsible for the maintenance and upkeep of parks and open spaces across the District. Corporate Priority 1 within the current Corporate Plan is 'keeping parks and open spaces clean for residents and visitors'. Therefore the Grounds Maintenance Service is key to the achievement of Corporate Priority 1 in the current Corporate Plan. The Grounds Maintenance Service currently has an establishment of 48 FTE's and an annual budget in the region of £2m

Management can place Limited Assurance on the system of internal controls in operation for the Grounds Maintenance Service. It is however acknowledged that the Open Spaces Manager has only been in post for a relatively short period of time and has already started to make significant improvements to the service and is expected to continue to do so. We therefore consider that the general direction of travel for the service is positive.

The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- Service standards for the Grounds Maintenance service have not been corporately defined, and consequently no performance or cost indicators are in place for the service.
- Poor controls are in place to monitor the work completed by operatives on a day to day basis.
- Insufficient drivers are currently employed to maximise the use of expensive grounds maintenance equipment.
- Poor controls in place to monitor vehicle checks and usage.
- No procedures are in place to monitor the running time of hand held equipment to ascertain if the servicing arrangements are sufficient.
- No procedures are currently in place to monitor and record plant and equipment downtime.
- No procedures are in place to record the issue of Red Diesel.
- No Procedures are in place to ensure that vehicle log books are completed daily and staff declarations surrounding the prohibition of personal use of vehicles have not been updated since 2014.
- The checking of staff driving licences is overdue.
- Accident near misses are not reported.
- Chemical safety data sheets are not complete for the chemicals held and used.
- Expensive equipment is lying idle at the depot for some time, or is significantly under used.
- There is a lack of management information on complaints/service requests and complaints are not logged on Civica and reported to CMT and Members.

Effective control was however identified in the following areas:

- Equipment is being used safely, and in accordance with expected standards following historical issues surrounding the use of strimmers.
- PPE is readily available and worn by operatives, although it is recommended that the Dane Park and Manston Road PPE stores are merged.
- Operatives are trained to use the equipment they operate.
- Equipment is well maintained.
- There are appropriate security arrangements at Dane Park Depot.

2.8 Street Cleansing – Limited Assurance:

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the street cleansing function is being carried out efficiently and effectively within an appropriate control framework which reduces any risks to an acceptable level.

2.8.2 Summary of Findings

The Street Cleansing service is responsible for the cleanliness of all streets and roads across the District seven days a week and is currently delivered by 43 operatives. Seasonal fluctuations mean that additional staff are used during the summer months to assist with beach cleansing and events taking place during the summer season.

Corporate Priority 1 within the current Corporate Plan is 'keeping streets and open spaces clean for residents and visitors'. Therefore the Street Cleansing Service is key to the achievement of Corporate Priority 1 in the current Corporate Plan. The weekly number of man hours put into street cleansing has reduced from 3,600 in April 2006, down to 1,591 in April 2016. Whilst it is acknowledged that over the same period, the Council has moved to wheeled bins which has helped with the containment of refuse, this still means that 2,009 less man hours are being put into cleaning streets across the district each week compared with April 2006.

The Council currently empties litter bins at approximately 380 different locations across the district every day along with dog bins at a further 240 locations which are emptied every other day. Expenditure on Street Cleansing for 2015-16 was approximately £1,524,045.

The primary findings giving rise to this Limited Assurance opinion in this area are as follows:

- Service standards for the Street Cleansing service have not been corporately defined, and consequently no performance or cost indicators are in place for the service.
- Current cleansing rounds are reliant on mechanical sweeping to supplement manual operatives, however little or no manual sweeping has taken place for some time resulting in large areas not being cleaned for a number of months.
- Insufficient trained drivers have been identified to make the best use of new mechanical sweepers which are being purchased.
- Insufficient communal bins are in place in certain areas resulting in excessive waste on streets.
- Little or no information on service standards, rounds etc is available to the public via the Council Internet etc. to allow them to report complaints.
- Complaints are recorded on the Northgate M3 system and not currently fed into the Civica system which is used for the production of complaints statistics which are reported to CMT and Members.

Effective control was however identified in the following areas:

- Standards of street cleanliness are well monitored.

- Complaints are dealt with promptly.
- Staff absence is well monitored.
- The procurement of equipment for the street Cleansing Service is well controlled.
- PPE is readily available and consistently worn by operatives.

2.9 EKS PCI-DSS– Limited Assurance.

2.9.1 Audit Scope

To ensure that the controls over the administration of the PCI-DSS procedures are robust and sufficient to enable the partner councils to comply with the industry requirements for this service.

2.9.2 Summary of Findings

For clarification, customer's card data is not exposed to any additional risk. This is a review against the new more robust standards – and the assurance level allocated relates to that aspect specifically.

The Payment Card Industry Data Security Standards (PCI-DSS) are specific technical and operational requirements set by the Payment Card Industry Security Standards Council (PCI SSC) to protect cardholder data from fraud, exposure or misuse. The PCI SSC has introduced PCI-DSS to raise standards in relation to the protection of card holder data which exonerates them and the bank from any complaint or breach of the standards. This means that any breach is solely the responsibility of the Council processing the card details. During 2015/16 all three Councils were working towards compliance with PCI-DSS. There are two main areas of risk relating to non-compliance i) technology used to process and store cardholder data and ii) people processing sensitive cardholder information incorrectly.

Despite the very good work that has been carried out across all sites, and the internal controls that are already in place, the review concludes a Limited Assurance that each Council will become compliant and sustain compliance by the end of 2016/17 because the controls that need to be put in place require considerable investment. There are five actions in the agreed action plan.

The PCI-DSS are continuously changing due to new threats and risks which require new controls. This audit was measured against version 3. However the latest version of the standards is version 3.2 which was released in April 2016. This review has therefore concentrated on the preparedness for full compliance, and whilst some payment streams have been fully actioned, some rely on new software being procured and implemented, therefore it would be premature at this stage to be able to provide a higher assurance level as any audit is a 'snapshot in time'. It is important to stress that the matter is progressing and the Corporate Information Governance Group (representing the three partner councils and EKS ICT) have oversight of the requirements in progress.

2.9.3 Management Response

The CIGG welcomes the audit and has made good progress in implementing the new requirements. A follow up has been scheduled for December 2016 by when the new suite of ICT policies will have been rolled out to staff. This includes the broader data security issues and specifically the Card Payments Policy. Where required the

procurement and implementation of new technical solutions and software has been identified, the overall compliance is being overseen within the individual councils at Management Team level and additionally in partnership through the CIGG. In the meantime the individual councils are taking every opportunity to introduce good practices mitigate and manage potential risks.

Senior Information Risk Officer for TDC, CCC and DDC.

2.10 Car Parking – Key Control Testing:

2.10.1 Summary of Findings

During the period, the EKAP undertook some random sampling of income derived from the Council's car parking machines to confirm the consistent and effective operation of the key controls in place.

The auditor obtained copies of the Car Parking waybills from the Income section for the two week period between 23rd May and 5th June.

The sequential run of the 'Cash Box Nos.' for every machine over that two week period was checked. All of the numbers ran sequentially across the sample tested.

The auditor then obtained the tickets - generated by each machine at the time of collection - from the Civil enforcement Manager and checked all of the tickets against the waybills for the two week period, verifying both the amount and the cash box number from the tickets to the waybills. This testing has also not highlighted any anomalies.

It was noted from the testing that unders and overs are generally very low and rare.

One of the Civil Enforcement Manager's staff regularly checks a random sample of tickets to the waybills and initials the tickets which she has checked.

Enquiries were also undertaken with the Finance team who perform our Bank Reconciliation and, as part of this, checks that the amount handed over to our Cash Collectors is the amount deposited at Santander Bank.

We would therefore conclude that the key controls are working effectively and are consistently applied.

2.11 EK Services – Housing Benefit Quarterly Testing (Quarter 4 of 2015-16):

2.11.1 Background:

Over the course of 2015/16 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.11.2 Findings:

For the fourth quarter of 2015/16 financial year (January to March 2016) 20 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.11.3 Audit Conclusion:

Twenty benefit claims were checked and of these one (5%) had a financial error that did impact on the benefit calculation and two data quality errors.

2.12 EK Services – Housing Benefit Quarterly Testing (Quarter 1 of 2016-17):

2.12.1 Background:

Over the course of 2016/17 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.12.2 Findings:

For the first quarter of 2016/17 financial year (April to June 2016) 20 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.12.3 Audit Conclusion:

Twenty benefit claims were checked and of these none had a financial error that impacted on the benefit calculation but there were two data quality errors.

3.0. **FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

3.1 As part of the period's work, eight follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. still outstanding	
a)	Corporate Properties and Concessions	Reasonable/ Limited	Reasonable /Limited	C	0	C	0
				H	6	H	6
				M	5	M	3
				L	0	L	0
b)	Complaints	Limited	Limited	C	0	C	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. still outstanding	
	Monitoring			H	1	H	1
				M	5	M	1
				L	3	L	0
c)	Housing Allocations	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	2	L	0
d)	East Kent Housing – Sheltered & Supported Housing	Limited	Reasonable	C	0	C	0
				H	5	H	0
				M	6	M	0
				L	3	L	0
e)	East Kent Housing – CSO Compliance	Reasonable	Reasonable	C	0	C	0
				H	5	H	0
				M	8	M	0
				L	0	L	0
f)	Income	Substantial/ Limited	Substantial/ Reasonable	C	0	C	0
				H	5	H	0
				M	0	M	0
				L	2	L	0
g)	EK Services - Debtors	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	1	M	0
				L	1	L	0
h)	Dog Warden & Street Scene Enforcement	Limited	Reasonable	C	0	C	0
				H	7	H	0
				M	8	M	0
				L	5	L	3

- 3.2 Details of any individual Critical and High priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Members' of the Governance and Audit Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

- 3.3 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) Corporate Properties and Concessions:

The Head of Economic Development and Asset Management left the Council's employ shortly after the audit was completed and agreed in September 2015. An interim Head of Asset Management is currently in position until September 2016. There continues to be resource issues within the Estates team and Legal team, therefore it has not been possible to implement the agreed actions to date. This is being addressed but is unlikely to be resolved in the short-term.

Management Response - The property services/assets function now forms part of the Resources directorate and since the audit was completed, there have been changes in both personnel and management arrangements.

With the aid of external funding there has been additional resource put in place to review both strategic and operational delivery, and to establish a policy framework to ensure proper use and control of the Council's assets.

Further resource has been identified to supplement the team's capacity and capability going forward, and the recruitment for this is ongoing. The day to day estate management is programmed and valuations, lease renewals and rent reviews are being carried out as required.

As the department is in a transitional phase there are, inevitably, some risks, but the high level items identified in the report will be resolved by the new asset management plan which will be in place by December 2016. The lower level items will be addressed by the increase in capacity which should be in place by autumn 2016.

A new, permanent Head of Service is being recruited and should be in place by autumn 2016, and will be responsible for implementing the asset management plan, and identifying performance and delivery improvements.

b) Complaints Monitoring:

Moving forward, the Council's monitoring and management of complaints, comments and compliments will now gather, analyse and consider information from multiple systems being used across all departments of the Council. This in turn will provide management and members with a realistic overview on departmental performance, provide a public opinion of services and provide management with opportunities to learn and improve.

Positive action has and continues to be taken by management in this area and the direction of travel is therefore positive; it would however be premature to raise the assurance level until all of the recommendations have been fully implemented and have had time to embed, therefore the assurance level remains as Limited.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Members Allowances, Officer Code of Conduct and Gifts and Hospitality, Playgrounds, Cemeteries and Crematorium, Local Code of Corporate Governance, and Maritime Services.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2016-17 internal audit plan was agreed by Members at the meeting of this Committee on 15th March 2016.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

6.0 FRAUD AND CORRUPTION:

There are no known instances of fraud or corruption being investigated by the EKAP to bring to Members attention at the present time.

7.0 UNPLANNED WORK:

All unplanned work is summarised in the table contained at Appendix 3.

8.0 INTERNAL AUDIT PERFORMANCE

- 8.1 For the three month period to 30th June 2016, 75.12 chargeable days were delivered against the planned target of 295.36 days which equates to 25% plan completion.
- 8.2 The financial performance of the EKAP is on target at the present time.
- 8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for 2015-16 is attached as Appendix 5.
- 8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 4.

Attachments

- Appendix 1 Summary of Critical and High priority recommendations outstanding after follow-up.
- Appendix 2 Summary of services with Limited / No Assurances.
- Appendix 3 Progress to 30th June 2016 against the agreed 2015-16 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30th June 2016.
- Appendix 5 Definition of Audit Assurance Statements & Recommendation Priorities

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS STILL OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>Corporate Properties and Concessions – June 2016:</i>		
Formulate an Acquisition Policy.	<p>The Asset Management Policy will be refreshed to include an acquisitions policy and process.</p> <p>Proposed Completion Date February 2016</p> <p>Responsibility Head of Economic Development and Asset Management.</p>	<p>The Acquisition and Disposal Policy will form part of the re-drafted Asset Management Strategy. It is unlikely this will be in place before October 2016. In the interim, all acquisitions and disposals will be assessed by CMT.</p> <p>Not yet fully implemented</p>
Formulate a Community Asset Strategy and Policy.	<p>A Community Asset Policy will form part of the refreshed Asset Management Policy, as an annex</p> <p>Proposed Completion Date February 2016</p> <p>Responsibility Head of Economic Development and Asset Management</p>	<p>The Community Asset Transfer will form part of the revised Asset Management Strategy. It is unlikely this will be in place before October 2016. In the interim, disposals through this route will be approved by CMT.</p> <p>Not yet fully implemented</p>
Request that Finance include a note or disclaimer on new insurance bills to say that tenant will be liable for insurance excess costs at £current rate.	<p>To discuss with finance and agree way forward.</p> <p>Proposed Completion Date December 2015.</p> <p>Responsibility Head of Economic Development and Asset</p>	<p>This needs to be reviewed with the new insurance cover providers. Therefore it is still outstanding.</p> <p>Not yet fully implemented</p>

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS STILL OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	Management.	
<p>Rent reviews must be dealt with as soon as possible to avoid accumulating back-dated charges to tenants. Consider sending an interim letter to tenants to warn them that a review has been undertaken and the likely increase in rent – TBC etc.</p>	<p>Legal have a new resource to ease the backlog so this should be resolved and may negate the need for any interim measures but this should be monitored.</p> <p>Proposed Completion Date October 2015.</p> <p>Responsibility Head of Economic Development and Asset Management.</p>	<p>There continues to be capacity issues within both the Estates team and the Legal team so this continues to be a concern.</p> <p>Not yet fully implemented</p>
<p>It is suggested that the Head of Economic Development and Asset Management liaises with the Finance Department regarding identification and ring-fencing of any dilapidation receipts.</p>	<p>To discuss with Finance and agree a way forward.</p> <p>Proposed Completion Date December 2015.</p> <p>Responsibility Head of Economic Development and Asset Management.</p>	<p>This seems to be still outstanding and needs to be addressed through the assessment of capacity of the Estates team.</p> <p>Not yet fully implemented</p>
<p>Review current operations, identify risks and opportunities to improve services and increase income/footfall to these areas. Following review, document policy for adoption by Cabinet.</p>	<p>This is a continuous review programme which has been adopted, ideas put through to CMT.</p> <p>Proposed Completion Date August 2015.</p>	<p>There are potential compliance risks extant, and because of a lack of resource opportunities are being missed. Again this may be addressed by the new Asset Management Strategy and revised internal processes and procedures.</p>

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS STILL OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
	Responsibility Head of Economic Development and Asset Management.	Not yet fully implemented
<i>Complaints Monitoring – June 2016:</i>		
Customer Contact & Engagement Manager should meet with the system administrator of M3 to establish what is being recorded and whether any fit the criteria of being a complaint; if this information can be easily extrapolated from this sub-system it should be reported to SMT in a timely manner; if it cannot it should be recorded in Civica.	Two stage approach to be adopted. 1. To liaise with the Systems Administrator of M3 to establish what meaningful data can be extracted for reporting to SMT. 2. Long term - look at how complaints are recorded across all Council Departments. Proposed Completion Date <ol style="list-style-type: none"> 1. 26 February 2016 2. On-Going Responsibility Customer Contact & Engagement Manager	Monthly stats are now provided by EK Services of all reports (email, web and phone) coming into the Contact Centre. These include service requests such as missed bins and crew complaints and discussions are taking place with the Policy and Business Planning team to incorporate these into the monthly performance pack. Partially Implemented

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2

Service	Reported to Committee	Level of Assurance	Follow-up Action Due
East Kent Housing - Repairs, Maintenance and Void Management	March 2016	Limited	Work-in-progress – to be reported in December
Employee Health, Safety & Welfare	March 2016	Limited	Work-in-progress
Safeguarding Children & Vulnerable Groups	March 2016	Limited	Work-in-progress
Museums	March 2016	Limited	Work-in-progress
Street Cleansing	September 2016	Limited	January 2017
Grounds Maintenance	September 2016	Limited	April 2017

PROGRESS TO DATE AGAINST THE AGREED 2016-17 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2016	Status and Assurance Level
FINANCIAL SYSTEMS:				
Main Accounting System	10	10	0.18	Quarter 3
Budgetary Control	10	10	0.18	Quarter 3
RESIDUAL HOUSING SERVICES:				
Homelessness	10	10	0.17	Work-in-Progress
GOVERNANCE RELATED:				
Member Code of Conduct & Standards Arrangements	10	10	5.25	Finalised - Substantial
Officer Code of Conduct, Register of Interests, and Gifts and Hospitality	10	10	0.17	Work-in-Progress
Local Code of Corporate Governance	7	7	0.17	Work-in-Progress
Anti-Fraud & Corruption	9	0	0	Postpone until 2017-18
Performance Management	10	0	0	Postpone until 2017-18
Project Management	10	0	0	Postpone until 2017-18
Corporate Advice/CMT	2	2	0.57	Work-in-progress throughout 2016-17
s.151 Officer Meetings and Support	9	9	3.51	Work-in-progress throughout 2016-17
Governance & Audit Committee Meetings and Report Preparation	12	12	4.58	Work-in-progress throughout 2016-17
2017-18 Audit Plan and Preparation Meetings	9	9	0.64	Quarter 4
CONTRACT RELATED:				
Service Contract Management	10	10	0	Quarter 3
Procurement	10	10	0.17	Work-in-Progress
SERVICE LEVEL:				
Cemeteries & Crematoria	10	10	0	Work-in-Progress
S11 Safeguarding Return to KCC	1	1	0	Quarter 3
HMO & Selective Licensing	10	10	0	Quarter 4
Coastal Management	10	10	0.18	Quarter 4
Public Health Burials	6	6	0.17	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2016	Status and Assurance Level
Environmental Protection Service Requests	10	10	0.17	Work-in-Progress
Playgrounds	8	8	0.17	Work-in-Progress
Events Management	10	10	0	Quarter 4
Disabled Facilities Grants	10	10	7.74	Finalised - Substantial
Asset Management	10	10	0	Quarter 4
Maritime	12	12	0.22	Work-in-Progress
Members Allowances & Expenses	10	10	0.17	Work-in-Progress
Building Control	10	10	0	Work-in-Progress
Imprest Floats & Travel Warrants	6	6	6.03	Finalised - Substantial
Phones, Mobiles & Utilities	7	3	0	Quarter 4
OTHER :				
Liaison With External Auditors	2	2	0	Work-in-progress throughout 2016-17
Follow-up Reviews	10	10	8.65	Work-in-progress throughout 2016-17
FINALISATION OF 2015-16 AUDITS:				
Days under delivered in 2015-16	0	-4.64	0	Completed
Grounds Maintenance	5	32	10.52	Finalised – Limited
Street Cleansing			9.74	Finalised – Limited
Planning Applications, Income & s106 Agreements			11.28	Finalised – Reasonable/Limited
Museums			0.21	Finalised - Limited
Recruitment			0	Work-in-Progress
UNPLANNED:				
Car Parking – Key Control Testing	0	2	2.37	Finalised
Dreamland – Post Implementation Review	0	5	0.91	Finalised
Referendum – 1 Presiding Officer	0	1	1	Finalised
EK HUMAN RESOURCES:				
Payroll	5	5	0	Work-in-Progress
Employee Benefits-in-Kind	5	5	0	Work-in-Progress
Leavers/Disciplinary	5	5	0	Work-in-Progress
TOTAL	300	295.36	75.12	25% as at 30-06-2016

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
Planned Work:				
Governance	15	0	0	Postponed to future audit plan
Finance Systems and ICT Controls	15	0	0	Postponed to future audit plan
Audit Ctte/EA Liaison/Follow-up	6	6	5.59	Work-in-progress throughout 2016-17
Rent Accounting & Collection	15	15	0	Quarter 4
Tenancy & Estate Management	29	29	1.8	Work-in-Progress
Days over delivered in 2015-16	0	-18.15	0	Completed
Unplanned Work:				
Procurement	0	15	8.39	Finalised
Single System Controls	0	15	1.93	Work-in-Progress
Total	80	61.85	17.71	29% at 30-06-2016

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
Planned Work:				
Housing Benefit Overpayments	15	15	13.85	Finalised - Substantial
Fraud Investigations	15	0	0.64	No longer required
Housing Benefit Subsidy	15	15	0.26	Quarter 3
Council Tax	30	25	0	Quarter 3
Customer Services	15	15	15.01	Finalised - Substantial
ICT Change Controls	12	12	0.2	Quarter 2
ICT Software Licensing	12	12	0	Quarter 3
ICT Network Security	12	12	0	Quarter 4
Corporate/Committee	8	8	1.37	Ongoing
Follow-up	6	6	0.38	Work-in-progress throughout 2016-17

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2016	Status and Assurance Level
DDC / TDC Quarterly Housing Benefit Testing	20	20	6.93	Work-in-progress throughout 2016-17
Finalisation of 2015-16 work-in-progress	0	27.33	27.65	Completed
Days under delivered in 2015-16	7.33	0	0	
Total	167.33	167.33	66.29	40% at 30-06-2016

BALANCED SCORECARD – QUARTER 1

INTERNAL PROCESSES PERSPECTIVE:	2016-17 Actual	Target	FINANCIAL PERSPECTIVE:	2016-17 Actual	Original Budget
	Quarter 1		Reported Annually		
Chargeable as % of available days	85%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£326.61
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£419,420
CCC	29%	25%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£11,700
DDC	19%	25%	<ul style="list-style-type: none"> • - ‘Unplanned Income’ 	£	Zero
SDC	26%	25%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£	£431,120
TDC	25%	25%	<ul style="list-style-type: none"> • Saving Target 	£	10%
EKS	40%	25%			
EKH	29%	25%			
Overall	27%	25%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	26	-			
<ul style="list-style-type: none"> • Not yet due 	22	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	31	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

BALANCED SCORECARD – QUARTER 1

<u>CUSTOMER PERSPECTIVE:</u>	<u>2016-17 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2016-17 Actual</u>	<u>Target</u>
	Quarter 1				
Number of Satisfaction Questionnaires Issued;	18		Percentage of staff qualified to relevant technician level	83%	75%
Number of completed questionnaires received back;	10		Percentage of staff holding a relevant higher level qualification	36%	32%
	= 56%		Percentage of staff studying for a relevant professional qualification	28%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	0.19	3.5
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	36%	32%
	100%	100%			
	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.